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RUEHEG/AMEMBASSY CAIRO 5305
RUEHDO/AMEMBASSY DOHA 0496
RUEHKU/AMEMBASSY KUWAIT 0206
RUEHTV/AMEMBASSY TEL AVIV 5038
RUCPDO/DEPT OF COMMERCE WASHDC
RHEHNSC/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/JOINT STAFF WASHDC

C O N F I D E N T I A L JERUSALEM 002197

SIPDIS

STATE FOR NEA/IPA AND EEB, NSC FOR KUMAR, OPIC FOR
DRUMHELLER, JOINT STAFF FOR LTGEN SELVA

E.O. 12958: DECL: 12/03/2019
TAGS: [ECON](#) [EINV](#) [ECPS](#) [KPAL](#) [KWBG](#) [IS](#)
SUBJECT: WATANIYA PALESTINE: ONE MONTH POST-LAUNCH

REF: A. JERUSALEM 1888
[1](#)B. JERUSALEM 1497

Classified By: Acting PO Greg Marchese, Reasons 1.4 (b) and (d)

[1](#)1. (SBU) Summary. One month following its November 1 launch, Wataniya Palestine has 80,000 subscribers and 300 direct-hire employees. Wataniya CEO Allan Richardson said that the GOI has given "assurances" to the Office of the Quartet Representative (OQR) that it will allocate the needed remaining 1.0 MHz when Wataniya reaches 70% of capacity, and predicted that Wataniya will reach that limit in the next four to five months. Aside from the spectrum allocation, Wataniya, like many other companies operating in the West Bank, continues to face delays and difficulties obtaining import permits and Area C permits. End Summary.

300 Direct Jobs, 80,000 subscribers

[1](#)2. (SBU) One month after its formal launch ceremony on November 1, Wataniya has attracted approximately 80,000 subscribers (thanks in part to an Eid promotion that offered free calls between subscribers) and created 300 direct-hire jobs in addition to several hundred employment opportunities for distributors and contractors. The number of employees will continue to grow as Wataniya adds subscribers, according to Richardson, who confirmed earlier employment estimates of 500 direct hires and 2,000 contractors. Wataniya has already outgrown its three floors of office space and is looking for a new building. Richardson calculates that it will be two years before the company is profitable, but said that is typical for mobile telecom providers. While no additional licensing fees are due, Wataniya, like Jawwal, shares 7% of its revenues with the Palestinian Authority (PA).

70% Capacity Expected in 4-5 Months

[1](#)3. (C) According to the "assurances" reportedly given by the GOI to OQR prior to the launch, Wataniya will receive the remaining 1.0 MHz spectrum when it reaches 70% capacity on its current allocation of 3.8 MHz. (Note: Neither Richardson nor the PA Ministry of Telecommunications has received such assurances from the GOI in writing.) Richardson expects Wataniya to reach 175,000 subscribers, equaling approximately 70% of its capacity in approximately four to five months (April/May 2010). He characterized the GOI's refusal to grant the full spectrum up front as a

reaction to concerted international pressure, and suggested that the GOI did not want to be seen as "giving in." Now that Wataniya has launched, he said, international attention is focused elsewhere, and Israel may not feel "backed into a corner." However, Richardson added, it would be helpful if the Israelis are privately reminded that spectrum allocation (and adherence to the July 2008 agreement) still remains a priority for the international community and the PA.

IFC Hesitant on Next Loan Disbursement

¶4. (C) According to Richardson, the International Finance Corporation (IFC) is dragging its feet on the next disbursement of its loan because of concerns that Wataniya cannot meet its business plan without the remaining 1.0 MHz. (Note: USD 44 million of the USD 85 million syndicated loan has already been disbursed to Wataniya, despite lenders' concerns that the company might not receive sufficient spectrum from the GOI.)

Import Restrictions and Area C Issues

¶5. (SBU) Wataniya subscribers are spread throughout Ramallah, Hebron, Jenin, Tulkarem, East Jerusalem, and Nablus, but coverage remains weak to non-existent between cities due to Wataniya's inability to secure any permits to build towers in Area C. Wataniya, like most other ICT companies, also continues to face difficulties and delays clearing equipment, such as base stations and transmitters, into the West Bank, according to Richardson.

Next Stop: Gaza?

¶6. (C) Richardson emphasized the importance of the Gaza market, noting that the company had been banking on the 40% of the Palestinian market in Gaza when developing its business plan. While he acknowledged the resistance he would face from the GOI, he said he expected the Qataris (as the owner of parent company QTel) would lean on Hamas to permit Wataniya's entrance into Gaza under "acceptable conditions," noting that representatives of the Hamas government had already sent Wataniya a letter welcoming it to Gaza.

¶7. (C) Comment: Richardson was appreciative of the international community's efforts on Wataniya, but wondered in retrospect if the public debate had hardened the GOI's position against releasing the full spectrum. As a result, he is now pursuing a more low-key approach on securing the remaining spectrum. The launch of a second mobile carrier is a positive development both for the PA's finances and the Palestinian economy. However, the web of restrictions that Wataniya continues to face with import permits, Area C permits, and the allocation of the remaining 1.0 MHz is an unfortunate signal to potential foreign investors that doing business in the West Bank presents significant risks.

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